

AMENDED IN ASSEMBLY JANUARY 7, 2008

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 6

Introduced by Assembly Member Houston

December 4, 2006

~~An act to amend Section 38570 of the Health and Safety Code, relating to air pollution. An act to add Sections 17277 and 24349.5 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 6, as amended, Houston. ~~Greenhouse gases: market-based compliance mechanisms. Income and corporation taxes: deductions: depreciation.~~

The Personal Income Tax Law and the Corporation Tax Law authorize various deductions used to compute the taxes imposed by those laws.

This bill would allow a taxpayer to take a deduction for depreciation, with respect to specified qualified capital expenditures that reduce greenhouse gas emissions and specified qualified capital investments for renewable energy, over a 3-year period, as provided.

This bill would take effect immediately as a tax levy.

~~Existing law imposes various limitations on emissions of air contaminants for the control of air pollution from vehicular and nonvehicular sources. Existing law designates the State Air Resources Board as the state agency with the primary responsibility for the control of vehicular air pollution, and air pollution control districts and air quality management districts with the primary responsibility for the control of air pollution from all sources other than vehicular sources. Existing law also designates the state board as the state agency charged~~

~~with monitoring and regulating sources of emissions of greenhouse gases that cause global warming in order to reduce emissions of greenhouse gases. Existing law requires the state board to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions levels in 1990 to be achieved by 2020, as specified, and requires the state board to adopt rules and regulations in an open public process to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions, as specified. Existing law authorizes the state board to adopt market-based compliance mechanisms, as defined, meeting specified requirements.~~

~~This bill would instead require the state board to adopt market-based compliance mechanisms.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17277 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17277. (a) In lieu of any other method of depreciation allowed
- 4 by this part, in the case of any qualified capital expenditures and
- 5 any qualified capital investments, a taxpayer may elect to take a
- 6 deduction for depreciation for the entire amount of these
- 7 expenditures and investments in three years, commencing with the
- 8 year the expenditures and investments are paid or incurred and
- 9 each of the two subsequent years, using the straight line method
- 10 of depreciation.
- 11 (b) For purposes of this section:
- 12 (1) “Qualified capital expenditures” means an engine, boiler,
- 13 generator, or other tangible personal property, that measurably
- 14 reduces greenhouse gas emissions from a qualified facility.
- 15 (2) “Qualified facility” means both of the following:
- 16 (A) An existing facility of the taxpayer.
- 17 (B) The expansion of an existing facility of the taxpayer, in the
- 18 same location as, or adjacent to, an existing facility of the taxpayer.
- 19 (3) “Qualified capital investments” means equipment used to
- 20 produce, generate, or store renewable energy from biomass, solar,
- 21 wind, and hydrogen sources.
- 22 (c) No deduction shall be allowed under this section unless the
- 23 taxpayer is in compliance with any requirements and limitations

1 relating to statewide greenhouse gas emission levels imposed
2 pursuant to Division 25.5 (commencing with Section 38500) of the
3 Health and Safety Code, including any rules and regulations
4 promulgated thereunder.

5 SEC. 2. Section 24349.5 is added to the Revenue and Taxation
6 Code, to read:

7 24349.5. (a) In lieu of any other method of depreciation
8 allowed by this part, in the case of any qualified capital
9 expenditures and any qualified capital investments, a taxpayer
10 may elect to take a deduction for depreciation for the entire amount
11 of these expenditures and investments in three years, commencing
12 with the year the expenditures and investments are paid or incurred
13 and each of the two subsequent years, using the straight line
14 method of depreciation.

15 (b) For purposes of this section:

16 (1) "Qualified capital expenditures" means an engine, boiler,
17 generator, or other tangible personal property that measurably
18 reduces greenhouse gas emissions from a qualified facility.

19 (2) "Qualified facility" means both of the following:

20 (A) An existing facility of the taxpayer.

21 (B) The expansion of an existing facility of the taxpayer, in the
22 same location as, or adjacent to, an existing facility of the taxpayer.

23 (3) "Qualified capital investments" means equipment used to
24 produce, generate, or store renewable energy from biomass, solar,
25 wind, and hydrogen sources.

26 (c) No deduction shall be allowed under this section unless the
27 taxpayer is in compliance with any requirements and limitations
28 relating to statewide greenhouse gas emission levels imposed
29 pursuant to Division 25.5 (commencing with Section 38500) of the
30 Health and Safety Code, including any rules and regulations
31 promulgated thereunder.

32 SEC. 3. This act provides for a tax levy within the meaning of
33 Article IV of the Constitution and shall go into immediate effect.

34 SECTION 1. ~~Section 38570 of the Health and Safety Code is~~
35 ~~amended to read:~~

36 ~~38570. (a) The state board shall include in the regulations~~
37 ~~adopted pursuant to Section 38562 the use of market-based~~
38 ~~compliance mechanisms to ensure compliance with the regulations.~~

39 ~~(b) Prior to the inclusion of any market-based compliance~~
40 ~~mechanism in the regulations, to the extent feasible and in~~

- 1 furtherance of achieving the statewide greenhouse gas emissions
2 limit, the state board shall do all of the following:
- 3 (1) Consider the potential for direct, indirect, and cumulative
4 emission impacts from these mechanisms, including localized
5 impacts in communities that are already adversely impacted by air
6 pollution.
- 7 (2) Design any market-based compliance mechanism to prevent
8 any increase in the emissions of toxic air contaminants or criteria
9 air pollutants.
- 10 (3) Maximize additional environmental and economic benefits
11 for California, as appropriate.
- 12 (e) The state board shall adopt regulations governing the manner
13 in which market-based compliance mechanisms may be used by
14 regulated entities subject to greenhouse gas emission limits and
15 mandatory emission reporting requirements to achieve compliance
16 with their greenhouse gas emissions limits.